

ACTION:  
OCA 47-5771

**OFFICE OF CONGRESSIONAL AFFAIRS**  
**Routing Slip**

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	X	<del>DD</del>
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		X
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries Officer		
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SUSPENSE

13 DEC 87  
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Action Officer:

Remarks:

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OMB FILE



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

November 23, 1987

0/CONGRESSIONAL AFFAIRS

87-5874

LEGISLATIVE REFERRAL MEMORANDUM

TO:       Legislative Liaison Officer -  
  
          Office of Personnel Management  
          Agency for International Development  
          U.S. Information Agency  
          Department of Agriculture  
          Department of Commerce  
          Central Intelligence Agency

SUBJECT: Department of State draft bill, "Early Retirement for  
          the Foreign Service."

The Office of Management and Budget requests the views of your  
agency on the above subject before advising on its relationship  
to the program of the President, in accordance with OMB  
Circular A-19.

**A response to this request for your views is needed no later than  
Friday, December 18, 1987.**

Questions should be referred to Hilda Schreiber (395-7362), the  
legislative analyst in this office.

*Naomi R. Sweeney*  
Naomi R. Sweeney for  
Assistant Director for  
Legislative Reference

Enclosures



**United States Department of State**

**Washington, D.C. 20520**

**Dear Mr. Speaker:**

I am writing to request consideration by the Congress of legislation that would establish early retirement authority for the Foreign Service. The Department of State seeks this legislation as part of a plan to reduce expenditures and live within our mandated budget levels. Attaining that goal will inevitably mean reducing the size of our workforce.

If we are to achieve the needed reductions in an orderly fashion, it is critical that we emphasize voluntary action, in order to avoid the costs, tangible and intangible, that are associated with compulsory Reductions in Force (RIF). We are already doing all that we can administratively: a limited hiring freeze is in place and we have obtained approval from the Office of Personnel Management for an "early out" for our Civil Service employees. But in order to offer early retirement to the majority of our workforce who are in the Foreign Service, we need new legislation.

You will find enclosed draft legislative language to amend the Foreign Service Act of 1980. The proposed amendment would allow Foreign Service employees with 20 or more years of service to retire voluntarily, regardless of age, in place of the normal age 50/ 20 years of service requirements. Annuities of such retirees would be reduced by two percent for each year of age below 50.

This proposal would provide a rough parallel to the existing early retirement authority for Civil Service employees, which allows them to retire early with 25 years of service at any age, or with 20 years of service at age 50, in lieu of the normal voluntary retirement requirement of age 55/ 30 years of service. Civil Service early retirees also accept a two percent annuity reduction for each year of age below their normal threshold.

Enactment of the early retirement authority described above would make about 1200 Foreign Service employees eligible for retirement, and would probably result in between 120 and 180 separations sooner than they would normally occur. Savings would be realized to the extent that this additional attrition would not lead to additional new hires, but would rather be used to reduce permanently the size of the Foreign Service organization.

The Honorable  
Jim Wright,  
Speaker of the House of Representatives,  
Washington, D.C.

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Our hope is that early retirement legislation could be obtained relatively early in the 1988 legislative session, and that early retirement would then be offered to employees for a four to six month period as soon as possible thereafter.

Under this scenario, we would not expect to realize any significant savings during FY'88--payment of separation benefits and repatriation of employees retiring from overseas would neutralize salary savings. However, in FY'89 and subsequent years we could reduce our costs by between seven and eleven million dollars, depending on the volume of early retirements.

Accordingly, we view early retirement legislation as a vital part of our multi-year plan to reshape the Department of State's budget and expenditure profile. While the entire plan is not yet in place, we would like to proceed now with the early retirement legislation since reducing the size of our workforce will surely be a necessary part of any conceivable cost-cutting package.

I am advised that the Administration has no objection to the submission of this legislative proposal.

Sincerely,

J. Edward Fox  
Assistant Secretary  
Legislative Affairs

Enclosure:

Draft Amendment to the Foreign Service Act of 1980

**Early Retirement Authority for the  
Foreign Service.**

**Section 811 of the Foreign Service Act of 1980 is  
amended--**

**(1) By redesignating the existing text as subsection  
(a); and**

**(2) By inserting a new subsection (b), as follows:**

**"(b) A member of the service who is a participant  
either under section 803 or section 852(4) of this  
Act, and --**

**(1) is separated voluntarily, during a period in  
which the Secretary determines that the agency  
in which the employee is serving is undergoing a  
major reorganization, a major reduction in the  
Foreign Service workforce, or a major transfer  
of function, and who has completed 20 years of  
creditable service, and**

**(2) is not entitled to an annuity under sections  
609(a)(2)(b), 808, or 811(a) of the Foreign  
Service Act,**

**is entitled to an annuity under this chapter, except  
that the annuity authorized by this subsection, and  
computed under paragraph 806(a) of this Act for a  
participant in the Foreign Service Retirement and  
Disability System, or under subsection 855 (b) for a  
participant in the Foreign Service Pension System, is  
reduced by one-sixth of one per cent for each full  
month the member of the Service is under fifty years  
of age at the date of separation."**

### **Sectional Analysis:**

This bill amends the voluntary retirement provisions of the Foreign Service Act to extend early-out coverage to participants in both the Foreign Service Retirement and Disability System and the Foreign Service Pension System.

The bill would allow Foreign Service employees with 20 years of service to retire regardless of age, with an annuity reduction of 2 per cent for each year of age below 50. Since this is the normal voluntary retirement age for FS personnel, the reduction would apply from that age, as a parallel measure to the age 55 standard applied to Civil Service employees.

Authority to offer early retirement would be vested in the Secretary of State, in his capacity as administrator of the Foreign Service Retirement and Disability System, as well as the Foreign Service Pension System. The Secretary would be permitted to authorize early retirement under conditions similar to those specified in 5 USC 8336 for the Director of OPM with respect to Civil Service employees.